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Moneysupermarket.com Group PLC
24 February 2010

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Moneysupermarket.com Group PLC preliminary results
for the year ending 31 December 2009

Solid financial results and cash generation in a challenging environment

Further special dividend of £25m announced

Moneysupermarket.com Group PLC ("Moneysupermarket.com" or the "Company"), the UK's leading price comparison website, is pleased to announce its preliminary results for the 12 months to 31 December 2009.

Financial highlights	2009	2008	Change
Revenue	£136.9m	£178.8m	-23%
Adjusted EBITDA (1)	£36.0m	£48.4m	-26%
Goodwill impairment charge	-	£70.0m	-100%
Statutory profit/(loss) after tax and impairment charge	£1.9m	(£59.1m)	103%
Cash balance	£53.8m	£73.5m	-27%
Total dividend for year	13.34p	3.5p	281%

103%

Cash balance

£53.8m

£73.5m

-27%

Total dividend for year

13.34p

3.5p

281%

Financial highlights

· Solid financial results and cash generation in a challenging environment.

· Improving trends through 2009:

o Insurance: trading improved in H2, reversing H1 decline

o Money: stability continued through H2; improving quarterly trend

o Travel: Managed for margin in a deteriorating market

o Home Services: trading improved markedly in H2

· Profitability has stabilised, with H1 momentum maintained through H2.

· Total revenue of £136.9m (2008 £178.8m) impacted by the credit crunch which reduced the supply of credit.

· Adjusted EBITDA of £36.0m (2008 £48.4m).

· Gross margin increased to 68.9% (2008: 65.3%).

· Total adjusted administrative and distribution cost base reduced by 13% to £62.2m (2008 £71.8m).

· Cash balance of £53.8m (2008: £73.5m) at the year end. The Group remains highly cash generative, converting 100% of EBITDA to cash. The Group is debt free.

· Further special dividend of £25m or 4.91p per share further underlining the Board's confidence in the ability of the business to continue to generate cash.

· Final dividend held at 2.2p per share.

· Full year dividend of £67.8m or 13.34p (2008: 3.5p).

Operational highlights

· Market-leading position and market share maintained.

· Brand recognition strengthened (from 80% in September 2008 to 85% in January 2010).

· Visitors to the Group's website flat at 120m. Excluding travelsupermarket.com visitors increased 9%.

· Market, brand and visitor numbers achieved on marketing expenditure 22% lower than in 2008.

· Significant improvements to the website offering:

o New vouchers channel launched November 2009

o New credit card channel launched January 2010

o New motor insurance channel launched February 2010

· Management team further strengthened.

· Organisation aligned to the new economic environment.

Outlook

Trading was slow in early January, but significantly picked up in February. Year to date Group revenue is slightly ahead of last year, with momentum building. Revenues were ahead in each of the verticals with the exception of Travel which, in a difficult market, continues to be managed for margin. This year's television advertising and technology investment is front-end loaded, but the current level of trading is consistent with the Board's view that the business has stabilised and that the worst is behind us. The Board remains confident in the Group's prospects for the full year.

Commenting on the results, Gerald Corbett, Chairman, said:

"Whilst 2009 was a tough year for the Group, it is a measure of the resilience of the business that it was able to maintain its dividend at 2008 levels and declare two special dividends totaling £50m giving a total dividend for the year of £68m. Since taking over as Chief Executive Officer in February 2009, Peter Plumb has managed to cut costs whilst protecting the Group's market leading position and investing in re-engineering the business to drive its next phase of growth."

Peter Plumb, Chief Executive Officer, said:

"Moneysupermarket.com has managed itself well through a very challenging period. We have strengthened the Group's market-leading position, while at the same time cutting costs and positioning the business for the next phase of growth.

"We had two priorities coming in to 2009, which we have successfully achieved. The first was to realign the business with the new economic reality. The second was to begin investing for growth, focusing on site and brand innovation and leveraging our deep insight into our customer base.

"We are confident that there is strong growth potential in all our markets and that we are well-placed to capitalise on this. We start the year with a strengthened executive team who will oversee our targeted investment programme. We have launched new sites in vouchers, car insurance and credit cards. More customers have joined our data base - and they are now able to search a site which has 120 additional providers than a year ago. We have started a new advertising campaign which has led to our highest ever levels of unprompted brand awareness.

"Our customers are telling us that they are facing a tough year and are cautious, particularly for borrowing, but that their appetite for searching on line for the best deals is stronger than ever before.

"We expect the economy to remain challenging, but I am confident that our clear strategy, as well as the investments we have made, position us well for the future."

- ends -

Results presentation

There will be a presentation for investors and analysts at 100 Liverpool Street, London, EC2M 2RH at 9.00am this morning. The presentation will be streamed live: visit http://corporate.moneysupermarket.com/ to register and listen.

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Financial and Business Review

The Group has presented below an extract of the Consolidated Statement of Comprehensive Income for the years ended 31 December 2009 and 31 December 2008 along with a reconciliation to adjusted EBITDA. Revenue in 2009 was £136.9m (2008: £178.8m) which generated a net profit after tax of £1.9m (2008: loss of £59.1m). The Directors believe that the presentation of an adjusted EBITDA measure will allow users of the financial information to gain a better understanding of the underlying performance of the business.

Extract of Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	2009	2008
	£000	£000
Revenue	136,874	178,800
Cost of sales	(42,627)	(62,063)
Gross profit	94,247	116,737
Distribution expenses	(18,446)	(21,618)
Administrative expenses - excluding Directors' and senior managers' share based compensation	(69,140)	(75,310)
Administrative expenses - Directors' and senior managers' share based compensation and related costs	(4,355)	(4,325)
Administrative expenses - impairment of goodwill	-	(70,000)
Administrative expenses	(73,495)	(149,635)
Profit/(loss) from operating activities	2,306	(54,516)
Reconciliation to adjusted EBITDA:		
Profit/(loss) from operating activities	2,306	(54,516)
Share based compensation	4,067	4,163
Amortisation of intangible assets	25,200	25,200
Impairment of goodwill	-	70,000
Depreciation	4,436	3,543
Adjusted EBITDA	36,009	48,390
Adjusted earnings per ordinary share:		
- basic (p)	4.6	6.9
- diluted (p)	4.5	6.8

25,200

Impairment of goodwill

-

70,000

Depreciation

4,436

3,543

Adjusted EBITDA

36,009

48,390

Adjusted earnings per ordinary share:

- basic (p)

4.6

6.9

- diluted (p)

4.5

6.8

Notes

1. Basis of Preparation

The results show the trading results for the years ended 31 December 2009 and 31 December 2008. The following adjustments have been made to arrive at adjusted EBITDA:

· The acquisition of Moneysupermarket.com Financial Group Limited by the Company gave rise to £207.2m of intangible assets. These are to be written off over a period of 3-10 years with a charge of £25.2m per annum to be recorded in each of the first three years post acquisition. Charges relating to the impairment of goodwill in 2008 have also been added back in calculating adjusted EBITDA.

· Certain share option charges relating to Directors, senior management and other employees of the Group arising from the time the Group listed or when it was privately owned have been added back to calculate adjusted EBITDA. A charge for awards made under the Group's Long Term Incentive Plan is included within the adjusted results for 2008 and 2009.

Reference is made in the Overview section below to adjusted distribution and administration expenses, and adjusted staff costs. These measures represent the costs charged to the Statement of Comprehensive Income, less the intangible amortisation, goodwill impairment, and pre-listing share option charges.

Overview

We are pleased to present a solid set of financial results for the year ended 31 December 2009. Revenue for the year was £136.9m (2008: £178.8m) generating adjusted EBITDA of £36.0m (2008: £48.4m).

During the year the Group focused on reconfiguring its business for the lower levels of supply for certain products in the Money vertical and making its online and offline marketing investment work harder, whilst maintaining its market leading position. Good progress has been made in both these areas, having reduced the cost base substantially, and expanded gross margin and adjusted EBITDA margin against the second half of 2008.

The management team was considerably strengthened during the year with a number of key appointments which have provided the Group with a solid skills and talent base to provide a foundation for future growth. The new team has focused its efforts on technology and marketing, to enhance our products and services and improve the user experience, whilst maintaining and strengthening our brand. In the second half of the year, the Group invested £1.3m in technology using flexible third party resource to improve its core architecture and usability in a number of key channels. The Group launched a new vouchers channel in November 2009 and released new credit card and motor insurance channels in January and February 2010 respectively. Other major refreshes of some of the Group's key channels will be released throughout the remainder of the year. New advertising creative featuring Peter Jones was released in June emphasising our key message that we help households looking to save time and money on their household bills. The campaign was used successfully in the second half of the year whilst we developed entirely new creative for 2010 which built upon this theme and which aired for the first time in January 2010 featuring comedian Omid Djalili. Feedback from customers to date has been positive.

Financial Performance

Revenue declined by 23% to £136.9m (2008: £178.8m) and adjusted EBITDA fell by 26% to £36.0m (2008: £48.4m). Revenue and profitability in 2009 were impacted by the credit crunch which reduced both the supply of credit and consumer discretionary spend in the wider UK economy relative to the same period last year. Revenue in 2008 included £13.2m generated from secured lender First Plus which closed to new business in August 2008. The Group maintained its market share measured by Experian Hitwise against its key competitor set.

Group gross margins at 68.9% improved by more than three percentage points over last year. The Group improved its proportion of direct to site revenue in the year. An accrual release of £0.8m within cost of sales was also made in the first half of the year following the resolution of a dispute with a portal partner during the period. The Group closed its lower margin intermediary operation to new business early in the first quarter of 2009. Revenue recorded in 2009 represents trail commission for mortgage applications in process prior to closure and revenue from revenue sharing agreements with third parties who have managed the winding down of the business.

The adjusted administrative and distribution cost base decreased by 13% from £71.8m to £62.6m in the year. Distribution expenses decreased by £3.2m over the prior year driven by reduced television advertising costs. The Group maintained a level of presence on broadcast media broadly similar to the prior year through a deflation in media costs and changes made in the length of slots acquired.

Adjusted administrative costs decreased by £6.0m (12%) over the prior year from £50.2m in 2008 to £44.2m in 2009. Adjusted staff costs (including contract resource) decreased by £3.5m to £26.9m. Headcount decreased from 555 to 442 from December 2008 to December 2009 as the Group sought to align its cost base to the prevailing market conditions in the Money vertical.

In April 2009 the Group made headcount reductions of approximately 80 people across all areas of the business although the largest impacted area was the Group's mortgage brokerage business. The Group incurred costs of £0.5m in relation to these and other reorganisation activities in the first half of 2009 yielding savings of approximately £2.3m per annum in permanent staff costs.

The Group invested approximately £1.3m in the second half of 2009 in flexible resource to improve its core technology and product in 2009 and into 2010. The Group made a number of significant releases to its product set in the fourth quarter of 2009 and the first quarter of 2010 as referred to above. The Group expects a slightly higher run rate level of investment over the course of 2010 to be made in technology.

Other costs including irrecoverable VAT decreased by £3.3m over last year as expenditure on, inter alia, television advertising and search engine marketing was reduced together with the reduction in the VAT rate to 15% which was effective from 1 December 2008. The Group incurred a loss of £2.1m in Germany in 2009 (2008: loss of £1.2m). Following a review of its German business, the Group has now taken the decision to wind down this test operation.

Adjusted EBITDA margins declined from 27.1% to 26.3% against the same period last year but improved significantly from 22.9% in the second half of 2008.

The Group operates its internet business across four vertical markets. These are discussed below:

	Revenue			
	31 December 2009		31 December 2008	
	£000	%	£000	%
Money	38,132	28	68,265	38
Insurance	75,669	55	77,739	44
Travel	16,305	12	19,089	11
Home Services	5,539	4	7,416	4
Other - UK	-	0	23	0
Total internet UK	135,645	99	172,532	97
Germany	361	0	-	0
Total internet	136,006	99	172,532	97
Intermediary	868	1	6,268	3
Total	136,874	100	178,800	100

0

-

0

Total internet

136,006

99

172,532

97

Intermediary

868

1

6,268

3

Total

136,874

100

178,800

100

Internet business

The Directors use key performance indicators ('KPIs') to assess the performance of the internet business against the Group's strategy. These are reviewed on a regular basis. The principal KPIs for the internet business are as follows:

Visitors

The Group measures the number of visitors to its websites as the number of unique visitors per day per channel, measured on a cumulative basis using cookie-based tracking methodologies.

Transactions

The Group measures transactions at the point in time that the customer leaves the Group's websites having clicked through to a third party website, or in some cases having completed an application form hosted on the Group's websites.

Revenue per visitor ('RPV')

The Group measures the total revenue (including click and other internet revenue) divided by the number of visitors defined above.

Revenue per transaction ('RPT')

The Group measures the click based revenue divided by the total number of transactions defined above.

The relative performance of each of the internet verticals is discussed below:

Money

The Money vertical offers customers the ability to search for, and compare, products for, amongst other things, credit cards, current accounts, mortgages, loans, debt solutions, savings accounts and business finance. It also includes elements of the Group's lead business (PAA) and advisory business (MCAT) together with advertising revenue that derives from financial products.

The KPIs for the Money vertical are shown below:

	31 December 2009	31 December 2008	Change
Visitors (000)(2)	35,178	35,131	0%
Transactions (000)	11,650	15,003	-22%
Revenue (£000) - click based revenue	32,812	57,372	-43%
Revenue (£000) - other	5,320	10,893	-51%
Revenue (£000) - total	38,132	68,265	-44%
RPV	£1.08	£1.94	
RPT	£2.82	£3.82	

38,132

68,265

-44%

RPV

£1.08

£1.94

RPT

£2.82

£3.82

Total revenue in the Money vertical decreased by 44% from £68.3m to £38.1m and click based revenue by 43% from £57.4m to £32.8m. Visitors were broadly flat.

Conditions in the credit market in 2009 were significantly worse than those in the majority of 2008. Credit markets materially worsened over the course of 2008 and particularly the second half of the year as the credit crunch deepened impacting a number of key channels in the Money vertical. The secured lending market in particular suffered from a reduction in the supply of credit and a tightening of underwriting criteria. This was one of the Group's largest revenue generating channels. First Plus, a subsidiary of Barclays, which was the Group's largest single provider by revenue closed to new business in August 2008. First Plus generated revenue of £13.2m in 2008 which the Group was unable to replace in 2009.

The Group noted that towards the end of the first half of 2009 external measures of credit availability began to show signs of having stabilised. Trading in credit products defined as total revenue from secured and unsecured loans, credit cards, debt solutions and mortgages excluding impression based advertising revenue was slightly in excess of 50% down against last year. However revenue from credit products improved in the second half of the year to £13.9m from £13.3m in the first half of the year despite the fact the second half of the year is traditionally weaker than the first half given the softness of fourth quarter revenue. Throughout the year trading in the Money vertical improved on a quarterly basis relative to the same quarter last year and in the fourth quarter was approximately 10% down over the same period last year.

Revenue from other banking products, particularly savings and current accounts, has held up relatively well although savings revenue softened into the fourth quarter against a tough 2008 comparator. Savings revenue increased significantly in the fourth quarter of 2008 following the financial uncertainty created after the collapse of a number of financial institutions. The change in sales mix away from credit based products, which generate higher transaction revenue, towards general banking products markedly reduced RPT and RPV in 2009 against last year. RPV has however been slowly improving for the Money vertical throughout 2009 as the wider markets have shown signs of stabilising.

Other revenue, which includes revenue from the sale of leads through PAA, commission based sales through MCAT for mortgages and loans, and advertising revenue, declined approximately £5.6m or 51% over the year. Commissions that are earned from loan and mortgage brokerage in particular have reduced significantly relative to last year as a result of the difficult market conditions and accordingly the Group materially reduced headcount in this area in the first half of 2009.

Insurance

The Insurance vertical offers customers the ability to search for, and compare, insurance products for, amongst other things, breakdown, dental, home, life, medical, mortgage payment protection, motor, payment protection, pet and travel insurance. It also includes elements of the Group's lead business (PAA) and advisory business (MCAT) together with advertising revenue that derives from insurance products.

The KPIs for the Insurance vertical are shown below:

	31 December 2009	31 December 2008	Change
Visitors (000)(2)	24,143	24,830	-3%
Transactions (000)	13,189	15,385	-14%
Revenue (£000) - click based revenue	68,599	66,614	3%
Revenue (£000) - other	7,070	11,125	-36%
Revenue (£000) - total	75,669	77,739	-3%
RPV	£3.13	£3.13	
RPT	£5.20	£4.33	

75,669

77,739

-3%

RPV

£3.13

£3.13

RPT

£5.20

£4.33

Revenue in the Insurance vertical declined by 3% from £77.7m to £75.7m. Transaction revenue increased by 3% from £66.6m to £68.6m.

Revenue in the second half of the year increased by 2% over the same period last year having been 6% lower in the first half of 2009 relative to 2008. The improvement in trading in the second half was driven by increased visitor volumes helped in part by the television advertising campaign featuring Peter Jones launched in June 2009.

The motor insurance comparison market remains the most competitive market in which the Group currently operates. Revenue was approximately 5% lower in the motor insurance channel for the year as a whole although revenue in the second half grew marginally over the same period last year reflecting the increased visitor volumes referred to above. The Group concentrated on the profitable online and offline acquisition and retention of customers during the year rather than focusing exclusively on market share. Revenues in the other insurance channels, including home insurance, travel insurance and life insurance, were all ahead of last year.

Other revenue declined by approximately £4.0m. Other revenue fell in the year driven by lower advertising revenue from a deliberate reduction in the advertising real estate made available to advertisers coupled with the cessation of revenue generated from telephone based leads which generated £2.5m in 2008. Both measures were taken to improve the long term customer experience of using the website in line with our brand building strategy.

Travel

The Travel vertical offers customers the ability to search for, and compare, amongst other things, airport parking, car hire, flights, hotels and package holidays.

The KPIs for the Travel vertical are shown below:

	31 December 2009	31 December 2008	Change
Visitors (000)(2)	42,970	48,924	-12%
Transactions (000)	28,904	38,149	-24%
Revenue (£000) - click based revenue	14,768	16,818	-12%
Revenue (£000) - other	1,537	2,271	-32%
Revenue (£000) - total	16,305	19,089	-15%
RPV	£0.38	£0.39	
RPT	£0.51	£0.44	

16,305

19,089

-15%

RPV

£0.38

£0.39

RPT

£0.51

£0.44

Revenue in the Travel vertical fell by 15% from £19.1m to £16.3m. Transaction revenue declined by 12% from £16.8m to £14.8m. Visitor levels declined by 12% compared to the same period last year whilst RPV remained broadly flat.

Revenue in the Travel vertical was impacted as customers reduced discretionary expenditure in response to the increasing economic uncertainty. Package holidays revenue did, however, grow fractionally over the same period last year. The Group's travel website, travelsupermarket.com, was redesigned during the second quarter of 2009 which improved the usability of the website. A cruises channel was added in June 2009.

Non click revenue representing impression based advertising fell by 32% due to a reduced number of visitors compared to the same period last year together with weaker demand from providers for advertising real estate.

Home Services

The Home Services vertical offers customers the ability to search for, and compare, products for broadband, mobile telephones, vouchers, shopping and utilities.

The KPIs for the Home Services vertical are shown below:

	31 December 2009	31 December 2008	Change
Visitors (000)(2)	18,216	11,245	62%
Transactions (000)	5,177	2,891	79%
Revenue (£000) - click based revenue	5,322	7,297	-27%
Revenue (£000) - other	217	119	82%
Revenue (£000) - total	5,539	7,416	-25%
RPV	£0.30	£0.66	
RPT	£1.03	£2.52	

5,539

7,416

-25%

RPV

£0.30

£0.66

RPT

£1.03

£2.52

Revenue in the Home Services vertical decreased by 25% from £7.4m to £5.5m in the year. Revenue from utilities, which represents the largest channel in which the Group operates in the Home Services vertical, declined by approximately one third against a strong comparator period, with the first half of 2008 benefiting significantly from the rising price of gas and electricity. Utilities prices have been more stable in 2009 and there has therefore been less demand for switching services, although trading improved markedly in the second half of 2009 relative to the first half of the year.

During the fourth quarter of 2008 the Group launched its own shopping comparison service. A new vouchers channel was launched in November 2009 enabling customers to obtain discounts across a wide range of products and services. This has enabled the Group to grow visitors to this vertical by 62% over last year. Transaction values are typically very low relative to the other channels in the vertical and the increase in visitors and transaction volumes has reduced the RPV for the Home Services vertical measured against the same period last year.

Germany

Following a review of its business in Germany, the Group has decided to wind down its test operation. The volume of business has been lower than originally anticipated by the Group. Customers require more offline support than those in the UK which would require the Group to have significant call centre support. The Group generated losses of £2.1m in Germany in 2009 (2008: losses of £1.2m). The cost of winding down the operation in Germany is expected to be approximately £0.8m in 2010.

Cash Balance and Dividend

As at 31 December 2009 the Group had a cash balance of £53.8m. The Group continued to strengthen its cash position throughout the year after payment of dividends. Having reviewed the cash required by the business, the Board is recommending a final dividend, subject to shareholder approval, in respect of the year ended 31 December 2009 of 7.11p per ordinary share, comprising a dividend of 2.2p per ordinary share equivalent to the final dividend paid in respect of the 2008 financial year and a special dividend of approximately £25.0m equivalent to 4.91p per ordinary share, reflecting the Board's confidence in the ability of the business to generate cash on an ongoing basis.

Together with the interim dividend of 1.3p per ordinary share and special dividend of 4.93p per ordinary share paid on 16 October 2009, this gives a total dividend for the year of 13.34p per ordinary share. Subject to shareholder approval, the total cost of the dividends for the financial year will be £67.8m.

The ex-dividend date for the final dividend is 3 March 2010, with a record date of 5 March 2010 and a payment date of 1 April 2010. Shareholders have the opportunity to elect to reinvest their cash dividend and purchase existing shares in the Company through a Dividend Reinvestment Plan.

Tax

The Group tax charge of £1.3m in the Consolidated Statement of Comprehensive Income represents an effective tax rate of 40% (2008: -16%). This is higher than the prevailing rate of 28%. The current year has been impacted by losses from its German operation of £2.1m for which a deferred tax asset cannot be recognised. During 2008, the Group had disallowable expenses in the year of £76.0m (including £70.0m of goodwill impairment) and a further £1.2m of losses from its German operation for which a deferred tax asset was not recognised. In addition in 2008 the Group also recognised a deferred tax charge of £2.7m representing a revaluation of a deferred tax asset held in relation to share options. In future, the Group expects the underlying effective rate of tax to be close to the standard UK corporation tax rate of 28%.

Earnings per ordinary share

Basic statutory earnings per ordinary share for the year to 31 December 2009 was 0.4p (2008: loss per share of 11.8p). Adjusted basic earnings per ordinary share decreased from 6.9p to 4.6p per share. The adjusted earnings per ordinary share is based on profit before tax after adding back intangible amortisation and share-based payment charges arising from pre-listing share options. A tax rate of 28% (2008: 28.5%) has been applied to calculate adjusted profit after tax.

Outlook

Trading was slow in early January, but significantly picked up in February. Year to date Group revenue is slightly ahead of last year, with momentum building. Revenues were ahead in each of the verticals with the exception of Travel which, in a difficult market, continues to be managed for margin. This year's television advertising and technology investment is front-end loaded, but the current level of trading is consistent with the Board's view that the business has stabilised and that the worst is behind us. The Board remains confident in the Group's prospects for the full year.

Notes:

2. The Group recorded a substantial increase in its reported visitors from 27 April 2008 to the end of June 2008 following a release made in respect of the anti-virus software AVG. In assessing whether a webpage was safe it 'followed' every link or URL displayed on an email or webpage to the destination website. This meant that many web based businesses including the Group recorded visitors from users of the AVG software who themselves did not technically visit the website. The 2008 visitor count has been adjusted for the estimated impact of this. AVG released a further update to its anti-virus software early in July 2008 which resolved the issue.

Statement of Directors' responsibilities pursuant to Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed below, confirms that, to the best of his or her knowledge:

· The financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

· The business review includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Name	Function
Gerald Corbett	Chairman
Simon Nixon	Deputy Chairman
Peter Plumb	Chief Executive Officer
Paul Doughty	Chief Financial Officer
David Osborne	Marketing Director
Graham Donoghue	Managing Director, Insurance, Home Services and Travel
Michael Wemms	Senior Independent Non-Executive Director
Rob Rowley	Non-Executive Director

Graham Donoghue

Managing Director, Insurance, Home Services and Travel

Michael Wemms

Senior Independent Non-Executive Director

Rob Rowley

Non-Executive Director

Principal Risks and Uncertainties

Below is a summary of the material financial and operational risks to the Group and how the Group seeks to mitigate them in the day-to-day running of the business.

Financial risks

Significant worsening in credit markets

Potential impact

Financial institutions may reduce the quantum of lending and tighten their acceptance criteria for customers seeking to obtain credit. This may reduce Group revenue. Providers may increase their focus on customer retention rather than acquisition. This may reduce commissions available to price comparison websites.

Mitigation

The Group continues to focus on building strong relationships with providers to ensure the Group is able to provide solutions to the needs of providers and to maximise the opportunities for providers to acquire customers in a cost effective manner.

Significant consolidation of providers

Potential impact

Consolidation of providers may continue in response to the poor credit markets. This may reduce competition for business with customers having less choice and may reduce commissions available to price comparison websites.

Mitigation

The Group will continue to improve its search functionality and deliver new relevant customers to providers at demonstrably lower acquisition costs compared with other media. The diversification of the Group both in the number of verticals that it operates in and the range of products and services it provides in each vertical should lessen the impact of any consolidation of providers.

Reduction of providers

Potential impact

Providers may decide to withdraw their products from price comparison websites or reduce their customer acquisition activity via price comparison websites. This may reduce Group revenue and the customer proposition of price comparison websites.

Mitigation

The Group continues to focus on building strong relationships with providers to ensure the Group is able to provide solutions to the needs of providers and to maximise the opportunities for providers to acquire customers in a cost effective manner.

Security of cash balances

Potential impact

The Group holds significant cash balances. A failure of a major financial institution with whom the Group places significant deposits may result in a material loss to the Group.

Mitigation

The Group has continued to diversify its cash holdings across a number of financial institutions in accordance with it's approved treasury policy. At the end of 2009, the Group held cash balances with 5 financial institutions with a maximum balance of £18.0m with any one institution.

Revenue assurance

Potential impact

Significant reduction of or a failure to recognise revenue from contracted providers where the Group is remunerated on a cost per action basis.

Mitigation

The Group will continue to perform independent reviews using third parties to gain assurance that the Group is being correctly remunerated for the sales it introduces to contracted providers.

Investment in new areas

Potential impact

Significant capital invested in new products and services or new geographies fails to make a return.

Mitigation

Investments in new areas typically leverage existing expertise and experience built up over many years. Capital requirements are relatively low and investment is managed in stages such that it is not finally committed until there is good visibility of a return.

Financial services and other markets regulation and taxation

Potential impact

The business model in financial services or other lines of business may be compromised by changes to existing regulation or the introduction of new regulation, or changes to the tax legislation, particularly value added tax.

Mitigation

The Group has a team of regulatory specialists who work with the business to ensure that it remains compliant with existing regulation and informed of impending regulation. The Group has embraced regulation to date and shares the vision of the regulators generally to make the market more transparent to the end customer.

The Group continues to monitor ongoing European Union developments in respect of the review of the provision of financial intermediary services with regard to value added tax and any relevant case law in this area as it emerges.

Operational risks

Competitive environment

Potential impact

Loss of market share and erosion of margins from increased competition.

Mitigation

The Group continues to focus on building market leading products to improve its proposition to customers. This includes investment in customer retention tools and technology including CRM initiatives which deliver additional features and functionality to customers.

Brand perception

Potential impact

Reduction in customer loyalty with existing customers and an inability to attract new customers if the business fails to maintain its position as a leading price comparison website or if its reputation is negatively impacted by any event.

Mitigation

Continued investment in television advertising reinforced through press activity will maintain the Group in customers' minds. Rigorous checking of the website through audit and review will maintain the accuracy of the information displayed. Rigorous use of internal controls and testing of the Group's systems will ensure the integrity and robustness of the Group's systems. Additional investment in initiatives increases transparency to the customer helping to protect brand values.

Capacity and functionality of IT and systems infrastructure

Potential impact

Failure to provide adequate service levels to customers or maintain revenue generating services.

Mitigation

The Group maintains two separate data centres with n+1 redundancy in relation to its core infrastructure to ensure that service is maintained in the event of a disaster at the primary data centre. Developed software is rigorously tested and the Group operates a robust release process which mitigates the likelihood of software being released into a live environment without being fully tested

Loss of key management

Potential impact

Loss of key management resulting in a lack of necessary expertise or continuity to execute strategy.

Mitigation

Existing key management and new hires are tied in through attractive equity incentive packages and rewarding career structures. In addition succession plans have been developed for key members of the management team which are regularly reviewed.

Reliance on search engine paid search and natural listings

Potential impact

Reduction in gross margin through reduction in revenue derived from search engine optimisation or failure to manage search engine marketing campaigns appropriately.

Mitigation

The Group will continue to invest in sustainable search engine optimisation activities which adhere to search engine guidelines. The Group will continue to use a software solution to assist in managing the profitability of search engine marketing campaigns.

Economic environment

Potential impact

Reduction in visitors and revenue from a recession as customers seek to reduce levels of discretionary expenditure.

Mitigation

The Group continues to focus on building a wide range of market leading products to meet customers needs. Customers seeking to reduce levels of discretionary expenditure will also be looking to obtain 'best' value from compulsory products and services. The diversification of the Group both in the number of verticals that it operates in and the range of products and services it provides in each vertical should lessen the impact of a recession upon the Group although it cannot entirely mitigate against it.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Revenue		136,874	178,800
Cost of sales		(42,627)	(62,063)
Gross profit		94,247	116,737
Distribution expenses		(18,446)	(21,618)
Administrative expenses - other		(73,495)	(79,635)
Administrative expenses - impairment of goodwill		-	(70,000)
Administrative expenses		(73,495)	(149,635)
Results from operating activities		2,306	(54,516)
Finance income		877	3,504
Profit/(loss) before income tax		3,183	(51,012)
Income tax charge		(1,267)	(8,094)
Profit/(loss) for the year		1,916	(59,106)
Other comprehensive income:			
Foreign currency translation		(121)	(6)
Deferred tax on share-based payments		(49)	(209)
Other comprehensive income for the year		(170)	(215)
Total comprehensive income for the year		1,746	(59,321)
Profit/(loss) attributable to:			
Equity holders of the Company		2,068	(58,987)
Minority interest		(152)	(119)
Profit/(loss) for the year		1,916	(59,106)
Total comprehensive income attributable to:			
Equity holders of the Company		1,907	(59,201)

	Note	2009 £000	2008 £000
Minority interest		(161)	(120)
Total comprehensive income for the year		1,746	(59,321)
Earnings/(loss) per share:			
Basic earnings/(loss) per ordinary share (p)	1	0.4	(11.8)
Diluted earnings/(loss) per ordinary share (p)	1	0.4	(11.8)

Equity holders of the Company

1,907

(59,201)

Minority interest

(161)

(120)

Total comprehensive income for the year

1,746

(59,321)

Earnings/(loss) per share:

Basic earnings/(loss) per ordinary share (p)

1

0.4

(11.8)

Diluted earnings/(loss) per ordinary share (p)

1

0.4

(11.8)

Consolidated Statement of Financial Position

at 31 December 2009

	Note	31 December 2009 £000	31 December 2008 £000
Assets			
Non-current assets			
Property, plant and equipment		12,135	13,596
Intangible assets	3	198,453	223,653
Deferred tax asset		-	362
Total non-current assets		210,588	237,611
Current assets			
Trade and other receivables		14,375	16,074
Prepayments		1,793	2,059
Cash and cash equivalents		53,805	73,465
Total current assets		69,973	91,598
Total assets		280,561	329,209
Liabilities			
Non-current liabilities			
Deferred tax liability		39,011	47,259
Current liabilities			
Trade and other payables		18,756	20,710
Current tax liabilities		2,126	3,394
Total current liabilities		20,882	24,104
Total liabilities		59,893	71,363
Equity			
Share capital		102	101
Share premium		171,207	171,047
Retained earnings		(45,920)	(20,042)
Other reserves		95,279	106,740
Total equity attributable to equity holders of the Company		220,668	257,846
Minority interest		-	-
Total equity		220,668	257,846
Total equity and liabilities		280,561	329,209

Share premium

171,207

171,047

Retained earnings

(45,920)

(20,042)

Other reserves

95,279

106,740

Total equity attributable to equity holders of the Company

220,668

257,846

Minority interest

-

-

Total equity

220,668

257,846

Total equity and liabilities

280,561

329,209

The Financial Statements were approved by the Board of Directors and authorised for issue on 23 February 2010. They were signed on its behalf by:

Peter Plumb

Paul Doughty

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Note	Issued share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Reserve for own shares £000	Foreign currency translation reserve £000	Total £000
At 1 January 2008		118	170,565	143,018	13,285	-	9	326,995
Foreign currency translation*		-	-	-	-	-	(6)	(6)
Deferred tax recognised on share based payments*		-	-	-	(209)	-	-	(209)
Loss for the year		-	-	-	(59,106)	-	-	(59,106)
Total income and expense for the year		-	-	-	(59,315)	-	(6)	(59,321)
Share options exercised		2	482	-	-	-	-	484
Purchase and cancellation of deferred shares		(19)	-	19	-	-	-	-
Equity dividends	2	-	-	-	(14,637)	-	-	(14,637)
Share-based payment		-	-	-	4,325	-	-	

4,325

Reserves transfer		-	-	(36,300)	36,300	-	-	-
At 31 December 2008		101	171,047	106,737	(20,042)	-	3	257,846
Foreign currency translation*		-	-	-	-	-	(121)	(121)
Deferred tax recognised on share based payments*		-	-	-	(49)	-	-	(49)
Profit for the year		-	-	-	1,916	-	-	1,916
Total income and expense for the year		-	-	-	1,867	-	(121)	1,746
Share options exercised		1	160	-	-	-	-	161
Equity dividends	2	-	-	-	(42,730)	-	-	(42,730)
Share based payment		-	-	-	3,645	-	-	3,645
Reserves transfer		-	-	(11,340)	11,340	-	-	-
At 31 December 2009		102	171,207	95,397	(45,920)	-	(118)	220,668

-

-

1,916

Total income and expense for the year

-

-

-

1,867

-

(121)

1,746

Share options exercised

1

160

-

-

-

-

161

Equity dividends

2

-

-

-

(42,730)

-

-

(42,730)

Share based payment

-

-

-

3,645

-

-

3,645

Reserves transfer

-

-

(11,340)

11,340

-

-

-

At 31 December 2009

102

171,207

95,397

(45,920)

-

(118)

220,668

* Foreign currency translation and deferred tax recognised on share based payments represent the only income or expense for the current and prior years recognised directly in equity.

Other reserves

The other reserves balance represents the merger and revaluation reserves generated upon the acquisition of Moneysupermarket.com Financial Group Limited by the Company, as discussed below, and a capital redemption reserve for £19,000 arising from the acquisition of 95,294,118 deferred shares of 0.02p by the Company from Simon Nixon.

Upon the acquisition of Moneysupermarket.com Financial Group Limited, a merger reserve of £60,750,000 for 15% of the fair value of assets acquired, a merger reserve of £16,923,000 for 45% of the book value transferred from a company under common control, and a revaluation reserve of £65,345,000 representing 45% of the fair value of the intangible assets transferred from a company under common control, were recognised. Amounts are transferred from these reserves to retained earnings as the goodwill and other intangibles balances are impaired and amortised.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Reserve for own shares

The reserve for the Company's own ordinary shares comprises the cost of the Company's ordinary shares held by the Group. At 31 December 2009, the Group held 698,011 ordinary shares at a cost of 0.02p per share through a trust for the benefit of the Group's employees.

Consolidated Statement of Cash Flows

for the year ended 31 December 2009

	Note	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Operating activities			
Profit/(loss) for the year		1,916	(59,106)
Adjustments to reconcile Group net profit/(loss) to net cash flows:			
#Depreciation		4,436	3,543
#Amortisation of intangible assets		25,200	25,200
#Impairment of goodwill		-	70,000
#Loss on disposal of property, plant and equipment		-	78
#Net finance income		(877)	(3,504)
#Equity-settled share-based payment			

- More to follow, for following part double click [ID:nRSZ5805Hb]